



Instr: 20110310009922 03/10/2011  
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Rick Campbell 2:28PM LEAS  
Stark County Recorder T20110007364

## OIL & GAS LEASE

THIS LEASE AGREEMENT (the "Lease"), is made this 15<sup>TH</sup> day of November, 2010,  
between K&D Farms, Ltd., an Ohio Limited Liability Company

11807 Byers Avenue, N.E.

Hartville, Ohio 44632

Phone \_\_\_\_\_

("Lessor"), and FO Energy Development, LLC, 4571 Stephen Circle, N.W., Suite 200, Canton, Ohio 44718,  
("Lessee"), and the parties agree as follows:

1. Lessor, in consideration of the sum of One and no/100 dollars (\$1.00), the receipt of which is hereby acknowledged and of the covenants and agreements herein contained, does hereby grant unto Lessee all of the oil and gas and the constituents of either, in and under the lands hereinafter described together with the exclusive right to explore, drill and operate for, produce, and market oil and gas and their constituents, the right to lay pipeline to transport oil and gas and their constituents from the lands leased hereunder and other lands, the right to build and install such tanks, equipment and structures ancillary thereto to carry on operations for oil and gas, together with the right to enter thereon at all times and to occupy, possess and use so much of said premises as is necessary and convenient for all purposes described herein. Said premises situated in Section (Lot) NW 1/4 Section 17 of the Township of Marlboro, County of Stark, State of Ohio containing 51.34 acres, more or less, being all of the land owned by Lessor in said township or adjoining said tract, bounded substantially as follows: T20R7

On the North by lands of Wilson; Byler

On the East by lands of Moore; Bohachyk

On the South by lands of Wolfe; Hinerman; Largent; Hickinbotham; Edison Street

On the West by lands of Byler, K&D Farms, Ltd.

Parcel No(s). 3101013; 3101014; 3101015

2. This Lease shall remain in force for a primary term of three (3) years and as long thereafter as operations described above are being conducted on the premises; or oil or gas is produced, or is capable of being produced.

3. The royalties to be paid by Lessee are (a) on oil, one-eighth (1/8) of that produced and saved from said land, same to be delivered at the wells or to the credit of the Lessor; (b) on gas of whatsoever nature or kind produced and sold, one-eighth (1/8) of the proceeds realized by Lessee from the sale thereof; (c) on gas of whatsoever nature or kind and used by Lessee (off the premises), one-eighth (1/8) of the highest price paid at the time of use for natural gas by a public utility purchasing gas in the same county. The royalties shall be paid by Lessee within thirty (30) days after Lessee receives payment thereof. The consideration and royalties paid and to be paid as herein provided, are and will be accepted by Lessor as adequate and full consideration for all the rights herein granted to the Lessee and further right of drilling or not drilling on the leased premises, whether to offset producing wells on adjacent or adjoining lands or otherwise, as the Lessee may elect. In the event all wells on the leased premises are shut in for any reason for a continuous period of six (6) months, then on or before the end of each calendar year during which such wells are shut in, Lessee shall pay Lessor a shut in payment of One Dollar (\$1.00) per year per acre, prorated for the period such wells are shut in and this Lease shall continue in full force and effect as provided in Section 2 so long as such payments are made. If such payment or tender is made, it will be considered that oil and/or gas is being produced within the meaning of this Lease.

4. If operations for a well are not commenced on the premises within three (3) months from the date of this Lease, this Lease shall terminate as to both parties unless Lessee on or before that date shall pay or tender to the Lessor the sum of Five Hundred Thirteen Dollars (\$513.00) which shall operate as a rental and cover the privilege of deferring the commencement of operation for a well for twelve (12) months from said date. Such rentals may, at the option of Lessee, be paid quarterly or annually. In like manner and upon like payments or tenders, the commencement of operations for a well may be further deferred for periods of the same number of months within the primary term of this

10. Lessee is hereby granted the right at any time to unitize the Leased premises or any portion thereof, as to any or all strata or stratum, with any other lands for the production of oil and/or gas and/or the constituents of either. No such unit shall embrace more than 160 acres; provided that if any governmental regulations shall prescribe a spacing pattern for the development of the field, then any such unit may embrace as much additional acreage as may be so prescribed. Operations upon and production from the unit shall be treated as if such operations were upon or such production was from the leased premises whether or not the well or wells are located thereon, provided, however, that Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated in Section 3 as the amount of its acreage placed in the unit, or its royalty interest therein on an acreage basis, bears to the total acreage in the unit, and provided further that the Lessor may take free gas as provided in Section 6 hereof from a unit well only if said well is located on lands actually owned by Lessor.

11. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing setting out specifically in what respects Lessee has breached this contract. Lessee shall have thirty (30) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligation hereunder.

12. The Lessee shall have the privilege of using sufficient oil, gas and water for operating on the premises and the right at any time during or after the expiration of this Lease to remove all pipe, well casing, machinery, equipment or fixtures placed on the premises. The Lessee shall have the right to surrender this Lease or any portion thereof by written notice to the Lessor describing the portion which it elects to surrender, or by returning the Lease to the Lessor with the endorsement of surrender thereof, or by recording the surrender or partial surrender of this Lease, any of which shall be a full and legal surrender of this Lease as to all of the premises or such portion thereof as the surrender shall indicate and a cancellation of all liabilities under the same of each and all parties hereto relating in any way to the portion or all the premises indicated on said surrender, and the land rental hereinbefore set forth shall be reduced in proportion to the acreage surrendered.

13. This Lease and all its terms, conditions and stipulations shall extend to and be binding on all heirs, successors and assigns of Lessor or Lessee. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the said lands and production and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself from any payments due hereunder. This Lease contains all of the agreements and understandings of the Lessor and the Lessee respecting the subject matter hereof and no implied covenants or obligations, or verbal representations or promises, have been made or relied upon by Lessor or Lessee supplementing or modifying this Lease or as an inducement thereto.

14. The location of well site(s), access road(s), pipelines and production equipment shall be approved by the Lessor, such approval shall not be unreasonably withheld or delayed.

15. This Lease applies only to those deep geologic formations found below the top of the Trenton Limestone, and for the Clinton sandstone, only as a plug back to a well drilled testing the deep formations.

Lessor

K&D FARMS, LTD.,  
an Ohio Limited Liability Company

By: Kay H. Vaughn member  
Kay H. Vaughn, Member

By: Donna M. Vaughn member  
Donna M. Vaughn, Member

Lease. This and all other payments due under this Lease shall be made by cash or check and shall be deemed tendered when either delivered to Lessor, or any of them, or mailed to Lessor or any designated representative, if there is more than one Lessor, at the above address. This Lease shall not terminate for failure to pay said rentals unless Lessor gives Lessee or its assigns written notice of said failure and the rental due is not paid within fifteen (15) days of the receipt of said notice by Lessee.

5. In the event a well drilled hereunder is a dry hole and is plugged according to law, this Lease shall terminate unless within twelve (12) months from the date of the completion of the plugging of such well Lessee shall commence another well or unless Lessee pays delay rental as hereinabove provided in Section 4. If such payment or tender is made, it will be considered that oil and/or gas is being produced within the meaning of this Lease.

6. The Lessor may lay a pipeline to any one well on the premises and take gas, as available, from said well for use in one dwelling house on the leased premises, the taking and use of such gas to be at Lessor's sole risk and subject to the use and right of abandonment of the well by Lessee. The Lessor is entitled to use a maximum of 200,000 standard cubic feet of gas each year free of cost, but all gas in excess of 200,000 standard cubic feet taken in each year shall be paid for at the well head rate, paid to Lessee on the leased premises. The Lessee shall provide a valve at or near the well head for the connecting point and the Lessor shall, from said connecting point, obtain all necessary easements, lay and maintain the pipeline, regulators, meters and all other necessary equipment. This privilege is upon the condition that the Lessor shall subscribe to and be bound by the reasonable rules and regulations of the Lessee relating to the use of free gas and Lessor shall maintain the said pipeline, regulators, meters and equipment in good repair and free of all gas leaks and operate the same so as not to cause waste or unnecessary leaks of gas. Lessor acknowledges being advised that the Lessee cannot guarantee an uninterrupted supply of such gas and being advised, further, as to the risks inherent in the taking of gas in this manner. The Lessor agrees to assume all such risks whether same be caused by Lessor's lines and equipment or whether same be caused by Lessee's equipment or well operations and Lessor agrees to hold Lessee, the well operator (including agents of the operator) and all parties in interest in any well on the leased premises harmless from any claims of any nature whatsoever which may arise from the usage of gas from any such well by Lessor, its heirs, successors, executors, administrators and assigns. Lessor further agrees that upon sale or transfer of the leased premises, or in any circumstance wherein someone other than the Lessor named herein is entitled to or is utilizing gas pursuant to this section, and that the gas supply will be terminated by Lessee until the occupant of the dwelling executes an agreement regarding the usage of the gas expressing the same intent as set forth herein. In the absence of such agreement, free gas under this provision shall terminate, the within right to free gas not being assignable without the written consent of the Lessee.

7. When requested by Lessor, Lessee shall bury pipelines below plow depth in cultivated areas and shall pay for reasonable damages caused by its operations to growing crops and fences on said land. No well shall be drilled within two hundred (200) feet of the present buildings without the written consent of Lessor. Lessee shall have the right at any time during or after the expiration of this Lease to remove all machinery, fixtures and any other structures or improvements placed on said land by Lessee, including the right to draw and remove casing. Following completion of any producing well, Lessee shall (a) fill all pits used during drilling which are not required either for production purposes or by any government regulations; (b) remove all concrete bases, drilling supplies and drilling equipment; and (c) grade, plant and seed the area disturbed by drilling that is not required in the production of the well, where necessary to bind the soil and prevent substantial erosion and sedimentation.

8. The rights of either party hereunder may be assigned in whole or in part. No change in ownership of the land or the rentals or royalties shall be binding on the Lessee until Lessee has received notice and has been furnished with the written transfer in the form of the recorded instrument by which said conveyance or assignment was made. In the event this Lease shall be assigned as to part or as to parts of the above described lands, and the holder or owner of any such parts fails to make a payment of its proportionate part of the delay rental, such default shall not operate to defeat or affect this Lease insofar as it covers a part or parts of said land upon which Lessee or any assignee hereof shall make due payment of said rentals. The Lessor further grants to Lessee, for the protection of Lessee's interest hereunder, the right to pay and satisfy any claim or lien against Lessor's interest in the premises as herein leased and thereupon to become subrogated to the rights of such claimant or lien holder. In cases where the Lessor owns a lesser interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals provided for herein shall be paid to the Lessor only in the proportion which its interest bears to the whole and undivided fee.

9. This Lease shall be subject to all Federal and State laws, executive orders, governmental rules or regulations, and this Lease shall not be terminated, in whole or in part, nor shall Lessee be held liable in damages, for failure to comply herewith, if compliance is prevented by, or such failure is the result of, any such law, rule or regulation. In the event the Lessee is unable to perform any of the acts to be performed by the Lessee by reason of force majeure, including but not limited to acts of God, strikes, riots, and governmental restrictions, this Lease shall nevertheless remain in full force and effect until the Lessee can perform said act or acts. Lessor grants Lessee the authority to compromise or settle any disputes with government agencies relating to this Lease or production therefrom.

STATE OF OHIO )  
COUNTY OF Stark )

SS:

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above named K&D Farms, Ltd., an Ohio Limited Liability Company, by Kay H. Vaughn, its Member, and by Donna M. Vaughn, its Member, who acknowledged that they did execute the foregoing instrument, and the same is their free act and deed for the purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal this 18 day of October, 2010.

My Commission Expires: 7/16/2011



DEBRA L. VAUGHAN  
Notary Public, State of Ohio  
My Commission Expires 7/16/2011

Debra L. Vaughan  
Notary Public

Lessee

FO ENERGY DEVELOPMENT, LLC

By: John B. Thomas  
John B. Thomas, Vice-President

STATE OF OHIO )  
COUNTY OF STARK )

SS:

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above named FO Energy Development, LLC, by John B. Thomas, its Vice-President, who acknowledged that he did execute the foregoing instrument, and the same is his free act and deed for the purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal this 10<sup>th</sup> day of November, 2010.

My Commission Expires:

Melissa M. Brown  
Notary Public



MELISSA M. BROWN  
Notary Public, State of Ohio  
My Commission Expires 02-25-2013

This instrument prepared by: FO Energy Development, LLC  
4571 Stephen Circle, N.W., Suite 200, Canton, Ohio 44718

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P: 4 of 4 F: \$44.00  
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